

STATE OF THE PORT

OCTOBER 29, 2018



**SOUTH
CAROLINA
PORTS**

THE WORLD CONNECTS HERE



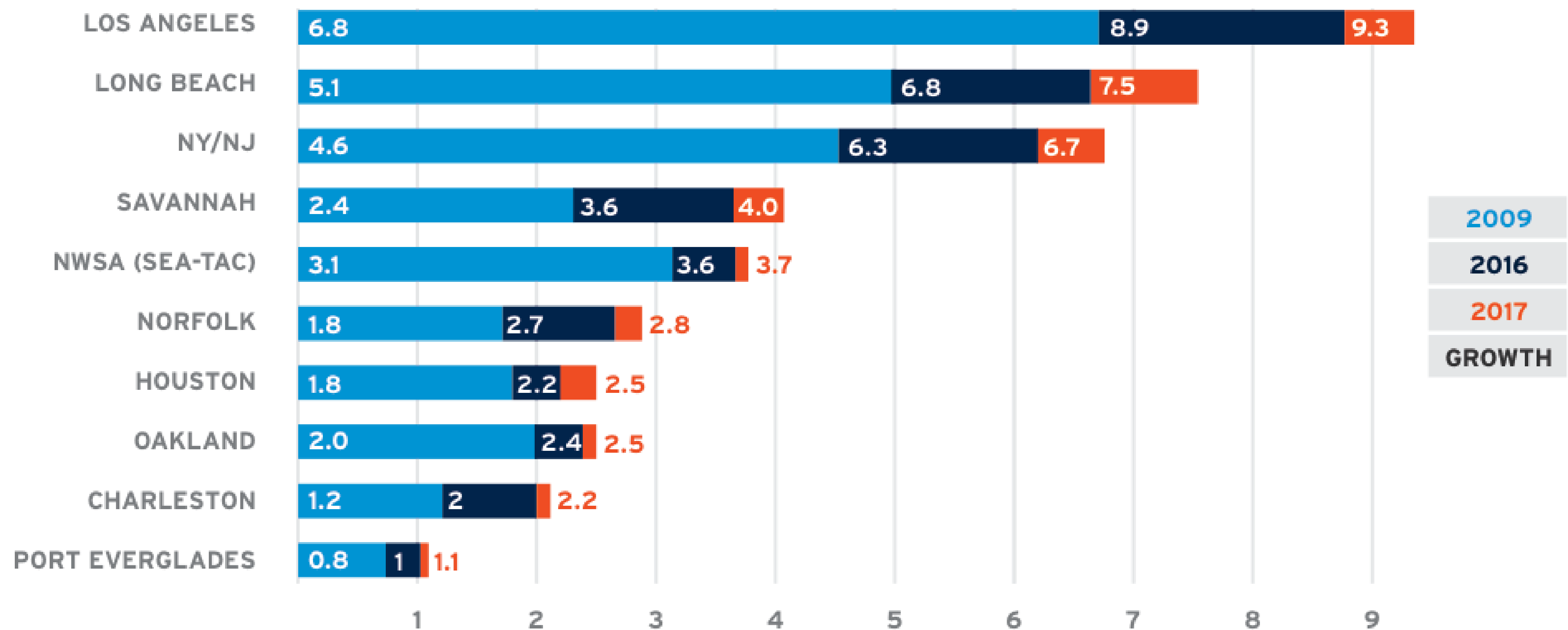
AGENDA

- FY2018 Accomplishments
- Important Port & Container Carrier Trends
- SC Ports Strategy & Actions **FY2019 - FY2021**
- Longer Term **FY2022 - FY2035**
- What Now?

FY2018 ACCOMPLISHMENTS

TOP 10 U.S. CONTAINER PORTS

CONTAINER VOLUME - TEUS IN MILLIONS

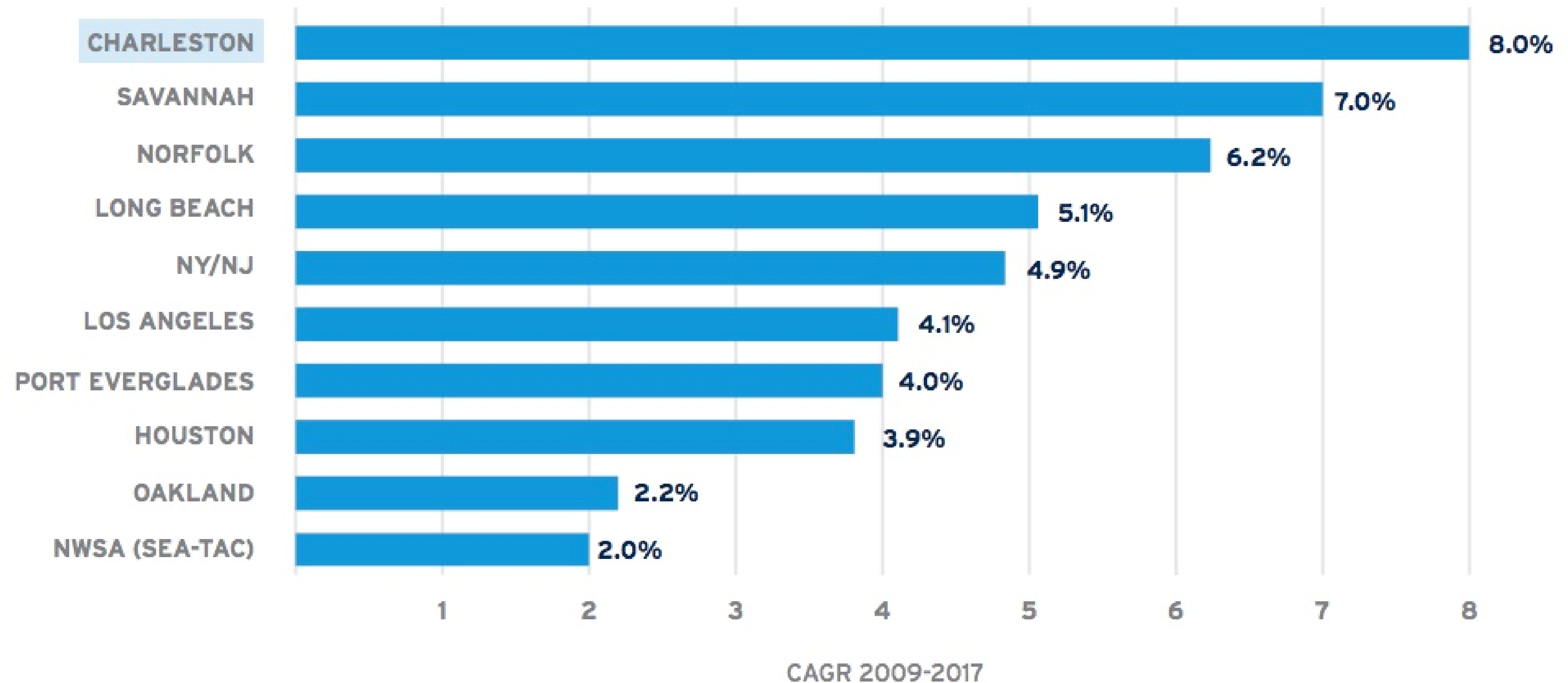


Source: AAPA

Top 10 Ports Handle 81% of U.S. Container Port Throughput

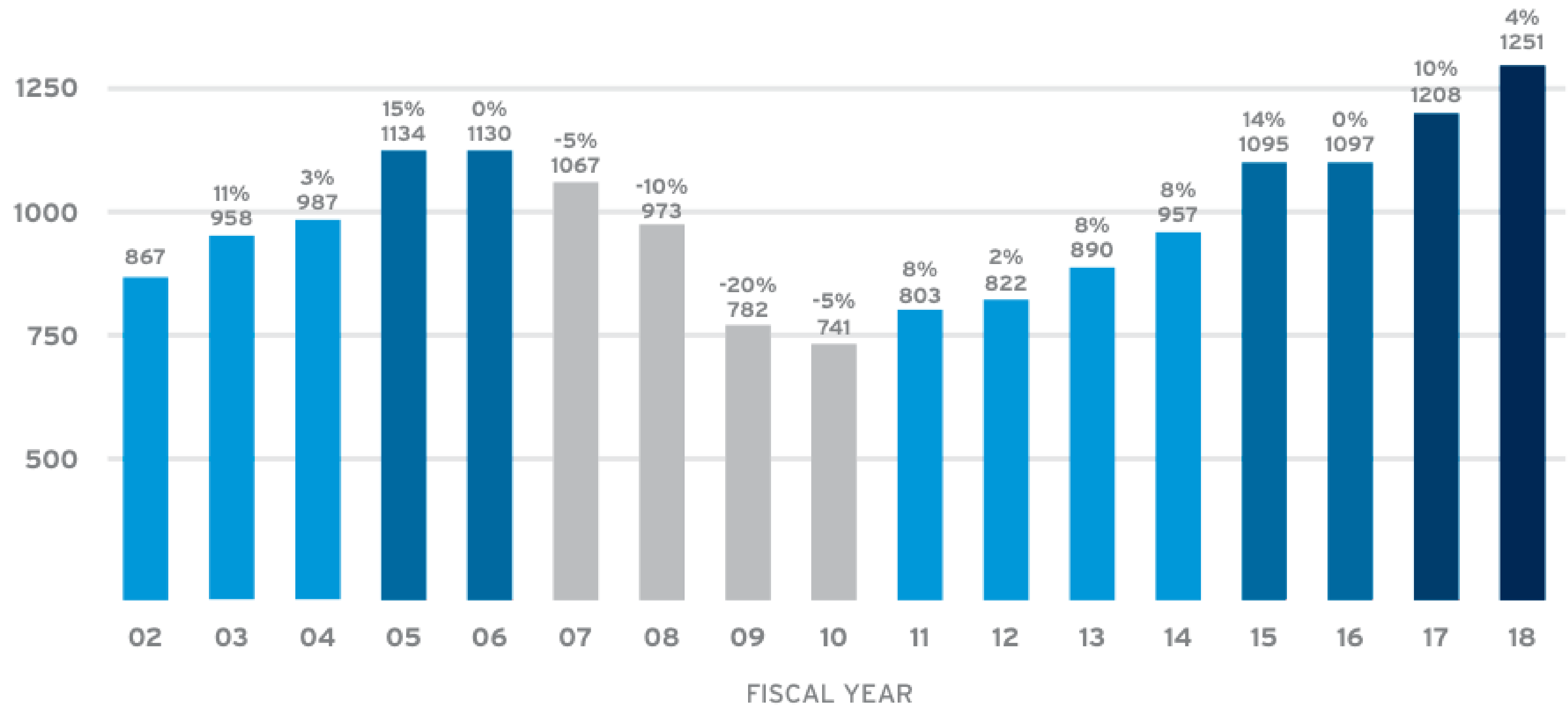
TOP 10 U.S. PORTS

CONTAINER VOLUME 2009-2017 GROWTH



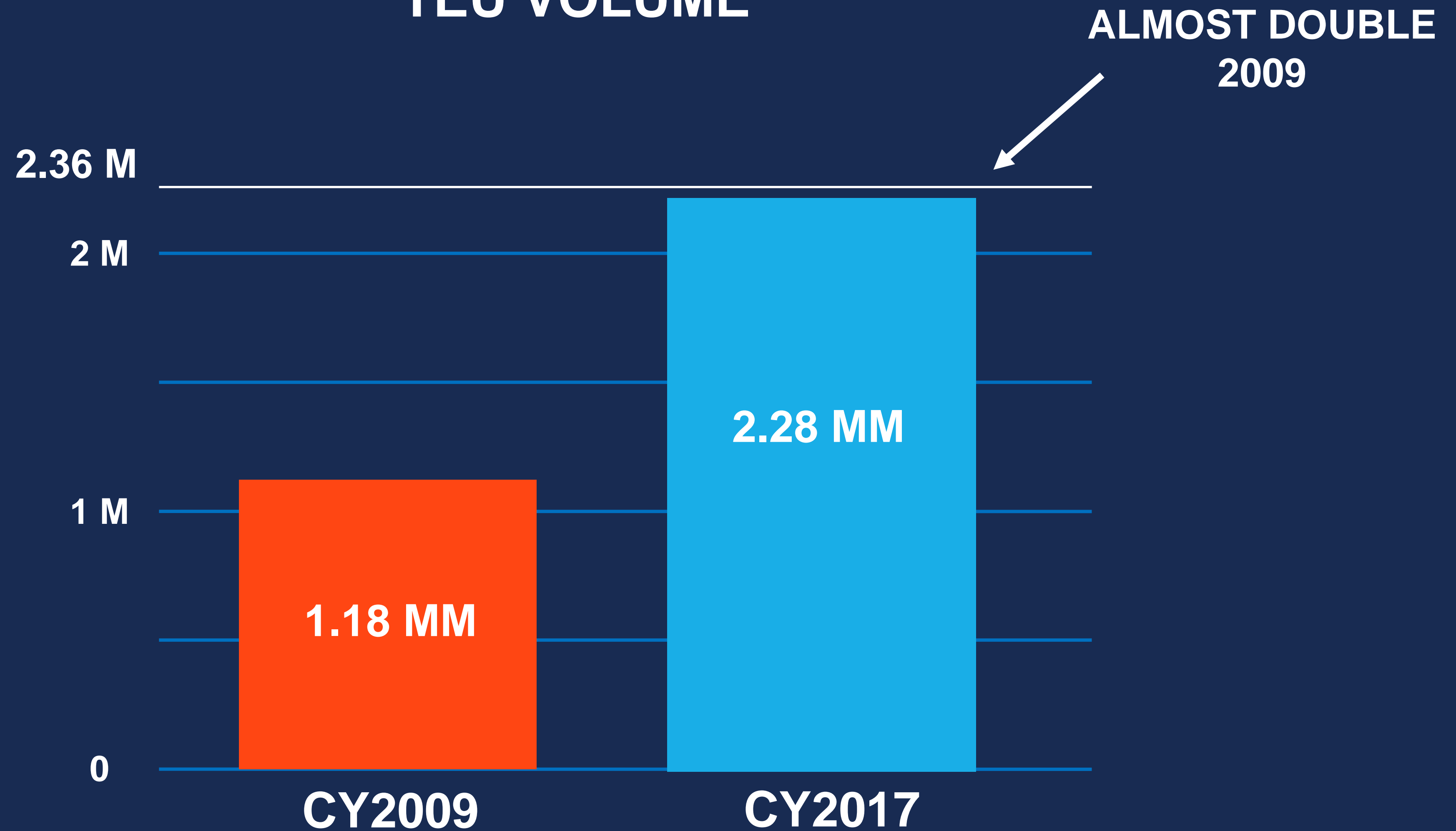
SC PORTS PIER CONTAINER VOLUMES

IN THOUSANDS



KEY METRIC COMPARISONS

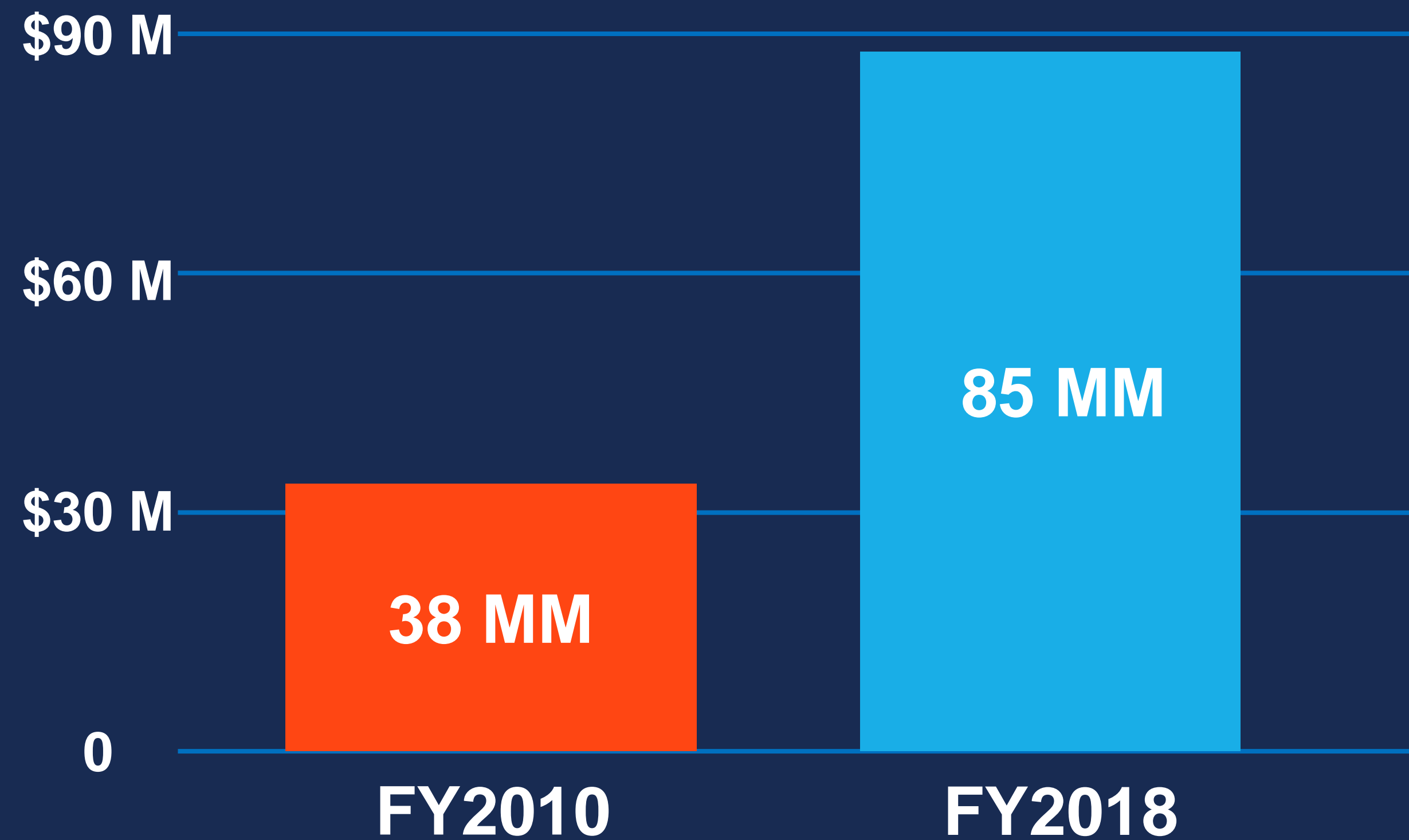
TEU VOLUME



KEY METRIC COMPARISONS

OPERATING CASH FLOW

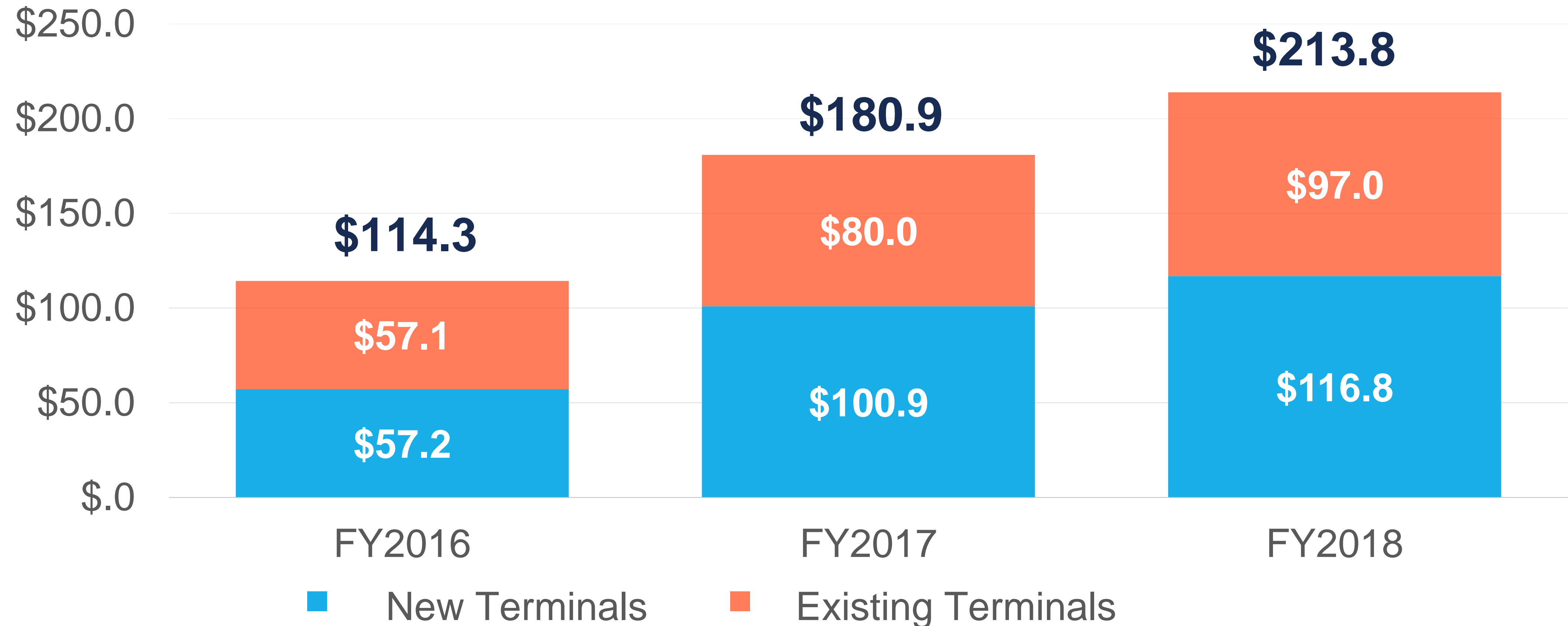
Growth of nearly \$50 million



CAPITAL EXPENDITURES

IN MILLIONS

FY2016 - FY2018



Total CAPEX of these 3 years is \$509MM
-by far the largest in the port's history and will continue and grow for the next three years-

FY2018 ACCOMPLISHMENTS

- **WANDO WHARF REFURBISHMENT**

Completed, 840 days

- **HARBOR DEEPENING**

First major contract, \$300 million

- **ARMY CORPS WORK PLAN**

Provides another \$49 million for next contract

- **LEATHERMAN TERMINAL**

Completion of Fill Phase

- **INLAND PORTS**

Opened second location in Dillon, SC

- **CHASSIS POOL**

- **IMPROVEMENT INITIATIVE**

Commencing

- **NEO PANAMAX ERA**

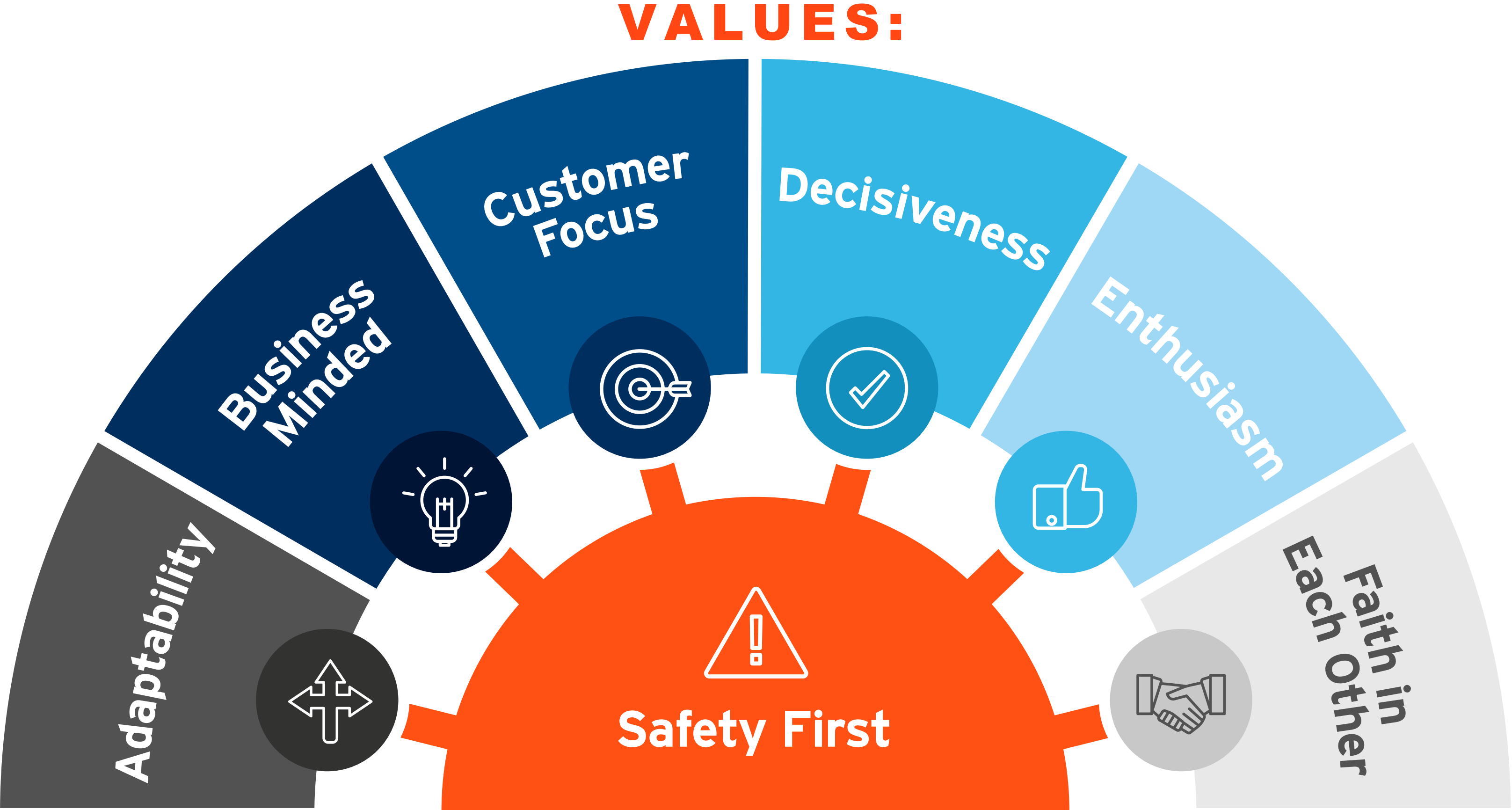
18 of 26 weekly services have ships that are Neo Panamax

- **NEW DEBT ISSUANCE FOR CAPITAL CAMPAIGN**

Successfully issued nearly \$300 million in net new proceeds while maintaining A1/A+ credit ratings from Moody's and S&P

REAFFIRMING OUR VISION AND VALUES

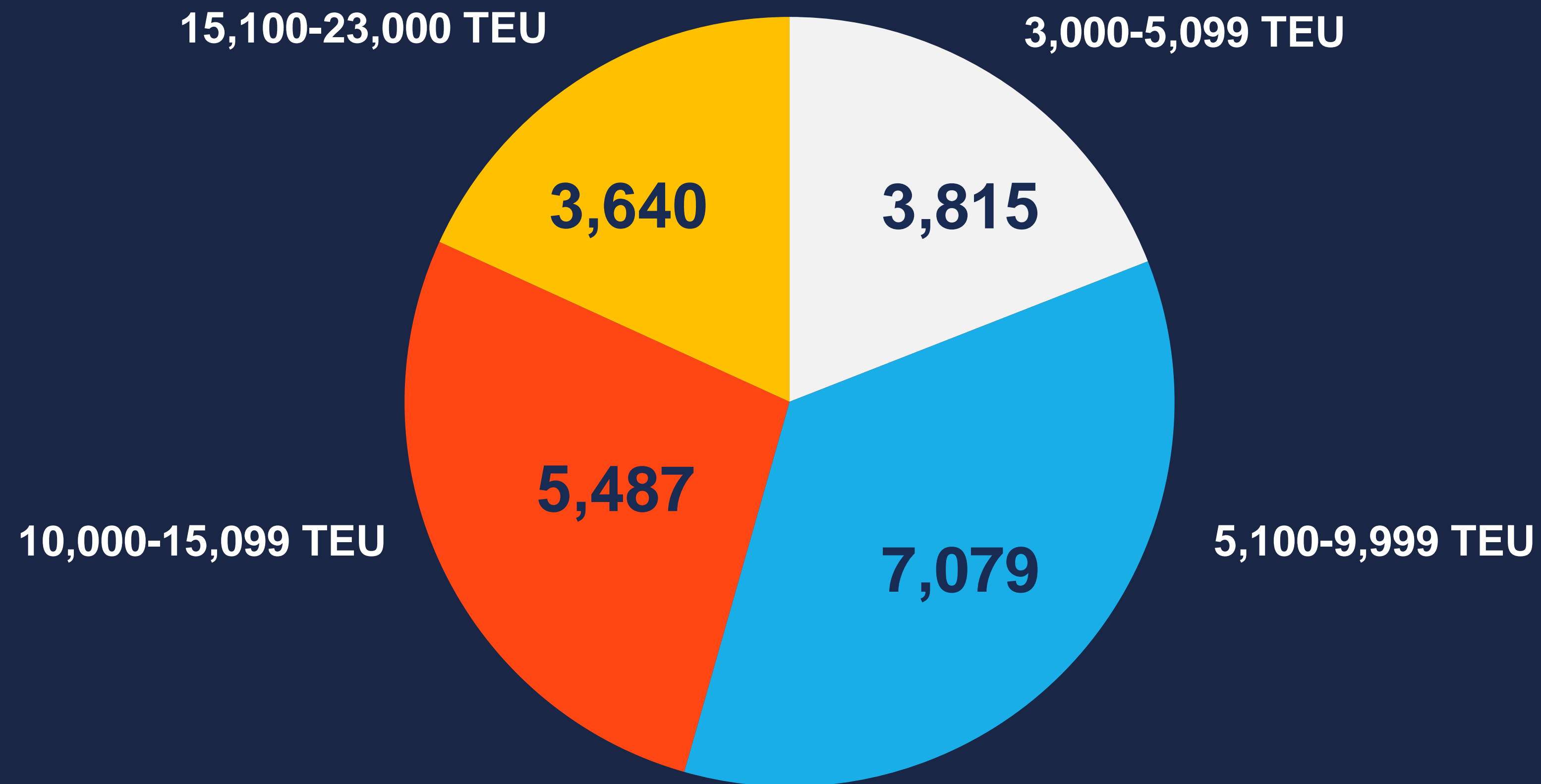
VISION:
**TO BE THE PREFERRED PORT
OF THE TOP 10 U.S. PORTS.**



IMPORTANT PORT & CONTAINER CARRIER TRENDS

WORLD CONTAINER SHIP FLEET AT END-2020

TEU CAPACITY IN THOUSANDS



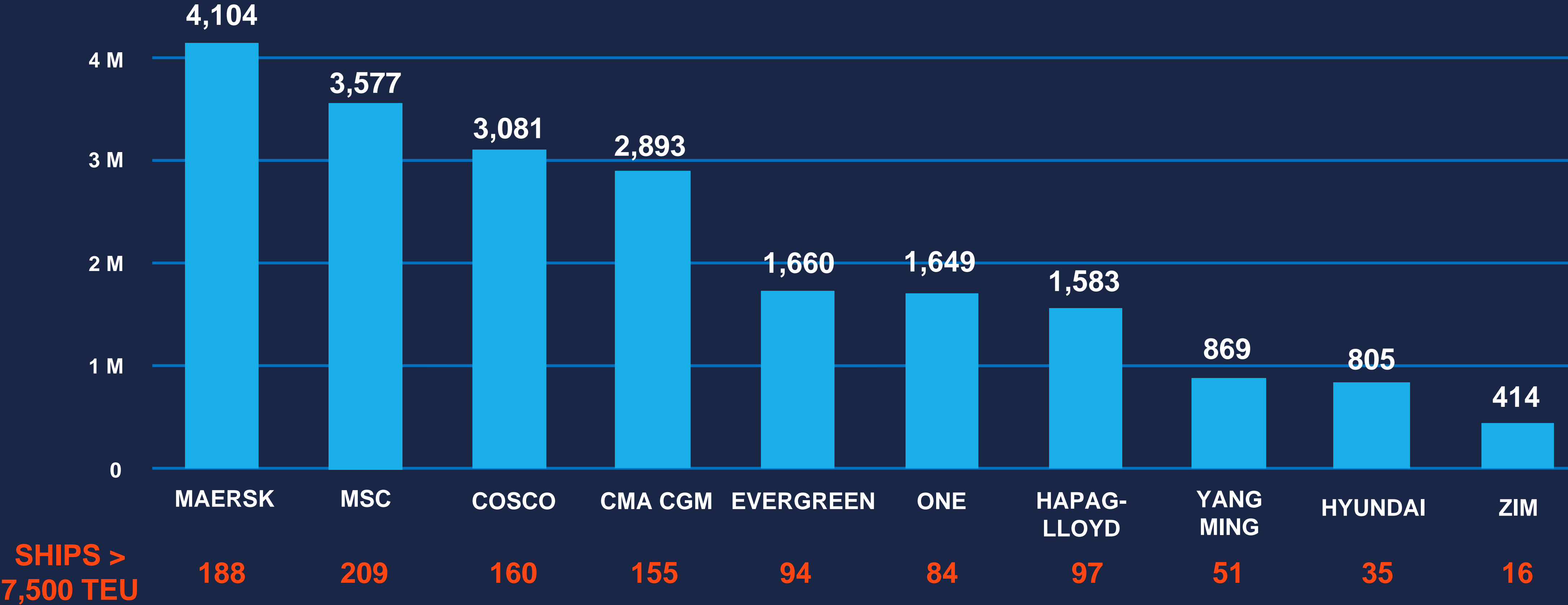
46% of Capacity is above 10,000 TEU.

Source: Alphaliner Monthly Monitor, Sept. 2018

TOP TEN CONTAINER CARRIER'S CAPACITY AT END 2020

TEU CAPACITY IN THOUSANDS

Top 10: 87% of Global Container Ship Fleet
Top 10: 1,089 Ships Larger than 7,500 TEU (Over 100 Large Ship Slings)



CONTAINER CARRIER INDUSTRY TRENDS

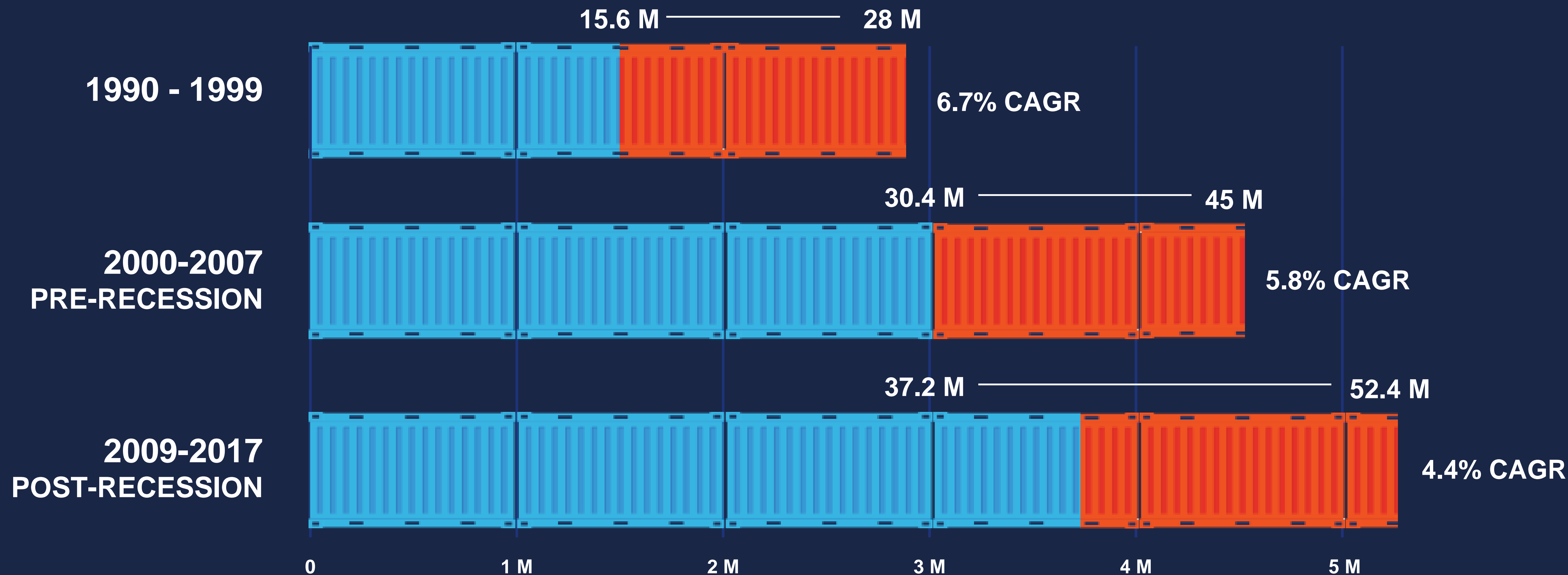
- Large Ships are Dominant Theme
- Maximum Size Has Been Reached
- Order Book Is Stabilizing
- Sulfur Cap in 2020 Will Have Dramatic Impact
- Panama Canal Has Recaptured Volume Lost Pre-Expansion
- Industry Consolidation is Largely Done
- 10 Carriers/3 Alliances Looks to be the Future



IMPACT OF 2020 SULFUR CAP IS DRAMATIC

- \$12 Billion Impact for Container Shipping Industry per Annum
- Incremental Cost in TPEB Trade=\$250 per FEU
- Three Solutions Possible
 - Low Sulfur Fuel (ULSF)
 - Scrubbers
 - LNG
- 95% Will Use Low Sulfur Fuel
- Questions as to Availability & Cost
- Three Major Expected Outcomes
 - Tension Between Carriers and Customers
 - Further Scrapping of < 5,000 TEU Ships
 - Fewer Ship Slings If Availability is an Issue
- Getting This Right Is a Survival Issue for Carriers

U.S. PORT CAGR HAS SLOWED



AAPA FIGURES

EAST COAST / GULF COAST PORTS CONTINUE TO CAPTURE SHARE

- Impact of Panama Canal and Big Ship Deployment
- Substantial Economic Growth
 - Manufacturing Boom = Automotive, Aerospace, Plastics
 - Population Boom = Fastest Growing MSAs by 2050
- U.S. South is the World's 3rd Largest Economy (Michael Randle)
- Asia/U.S. Trade Will be 50/50 WC vs. EC/GC by 2025



THREATS IN GLOBAL TRADE

- Fair Trade Enhances Free Trade
- A Wide Range of Outcomes are Possible
- Quick Solutions are Helpful
- Prediction — David Ricardo Was Right!
- Forrest Gump

TREND IMPACT FOR U.S. EAST COAST PORTS LIKE CHARLESTON

CONTAINER PORTS FACE TWO CHOICES:

1

Large, Timely Investments
to Handle Growth and Big
Ships

2

Fall Behind and Lose
Control of Their Destiny

OUR CHOICE:

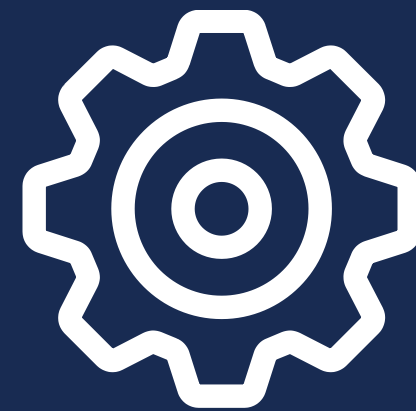
- SCPA Has Clearly Chosen the Former
- The Southeast Region is Dependent on Modernized Ports to Reach Its Economic Potential
- Opportunities are Significant if this is Managed Well

SCPA STRATEGY ACTIONS FY2019 – FY2021

5 YEAR STRATEGIC PLAN



Ensure that
our port
works well



Invest heavily
in new and existing
infrastructure



Continued
growth of
cargo base



Drive
intermodal
efficiency



Enhance our
workforce
effectiveness

ASSURING THAT OUR PORT WORKS VERY WELL

- Fast and Reliable Truck Turn Times
- World Class Berth and Crane Productivity
- The Deepest Harbor on the East Coast
- Ample Gate Hours
- A Modern Terminal Operating System
- Comprehensive Approach to Customer Service
- A Silent Partner in the Supply Chain





ENHANCING THE WANDO TERMINAL

- \$400 Million Investment by End 2019
- 3 Neo-Panamax Berths
- 15 x 155 Foot (47.2 Meters) Lift Height STS Cranes
- 65 RTGs / 25 Empty Handlers
- 40 Gates
- Dedicated Chassis Yard
- Densified Ops. with 2.4 Million TEU of Capacity
- Evaluate the Need and Cost of Longer Gate Hours

THE DEEPEST HARBOR ON THE U.S. EAST COAST

- \$558 Million Project
 - \$287 Million Federal (\$66 Million Funded)
 - \$271 Million State (\$350 Million Funded)
- Construction of Entrance Channel Underway
- Largest Deepening Contract Ever Awarded by Army Corps (\$200+ Million)
- State Support Essential (\$300 Million Plus \$50 Million Loan)
- Contract 4 (Entrance Channel to Wando) Let by End 2018
- Deepening to Wando Completed by March 2021
- A New BCR of 6.4 (old 3.9)
- Under Current Rules This Qualifies Us for the President's Budget!
- A Significant Success Story in the Annals of Deep Draft Navigation

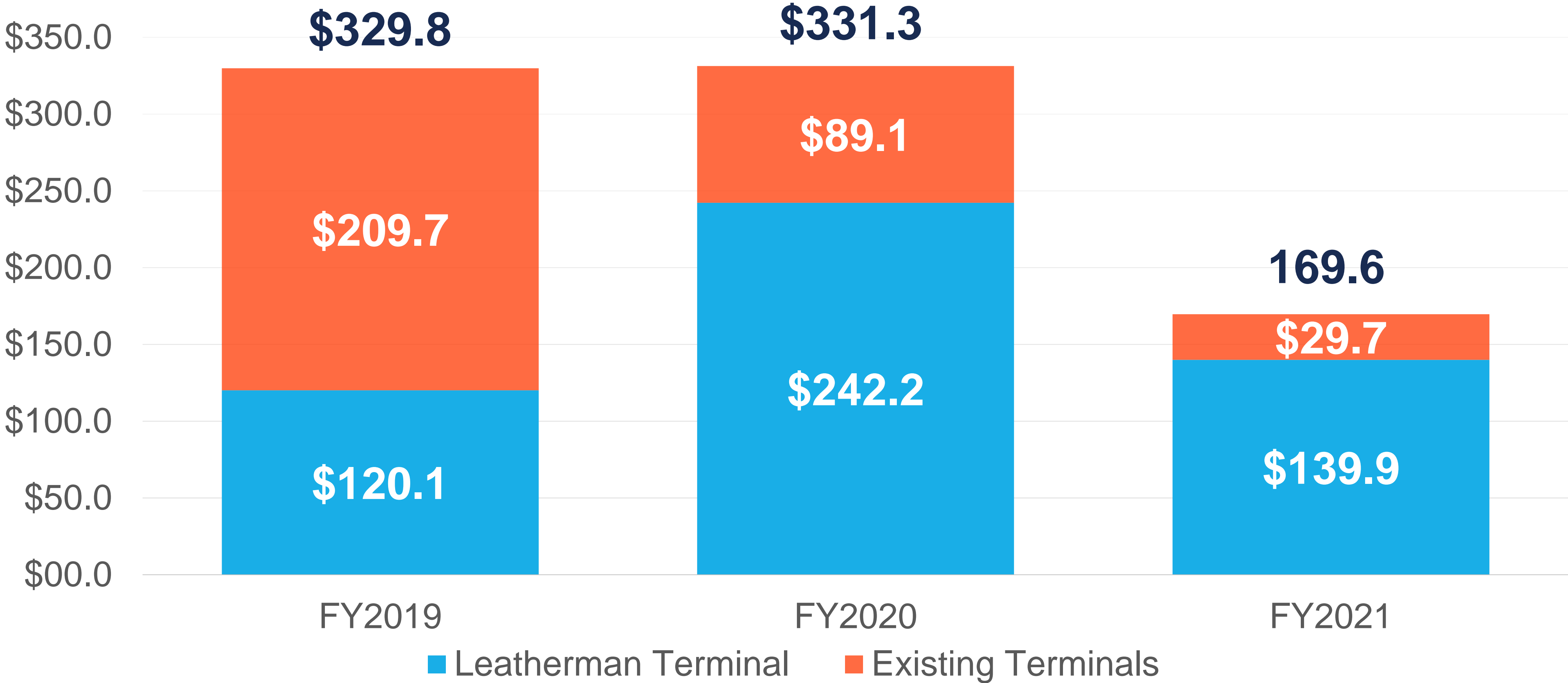
THE OUTCOME

The Ability to
Comfortably Handle
3 x 14,000 TEU Ships
at Wando Terminal
by End 2020.

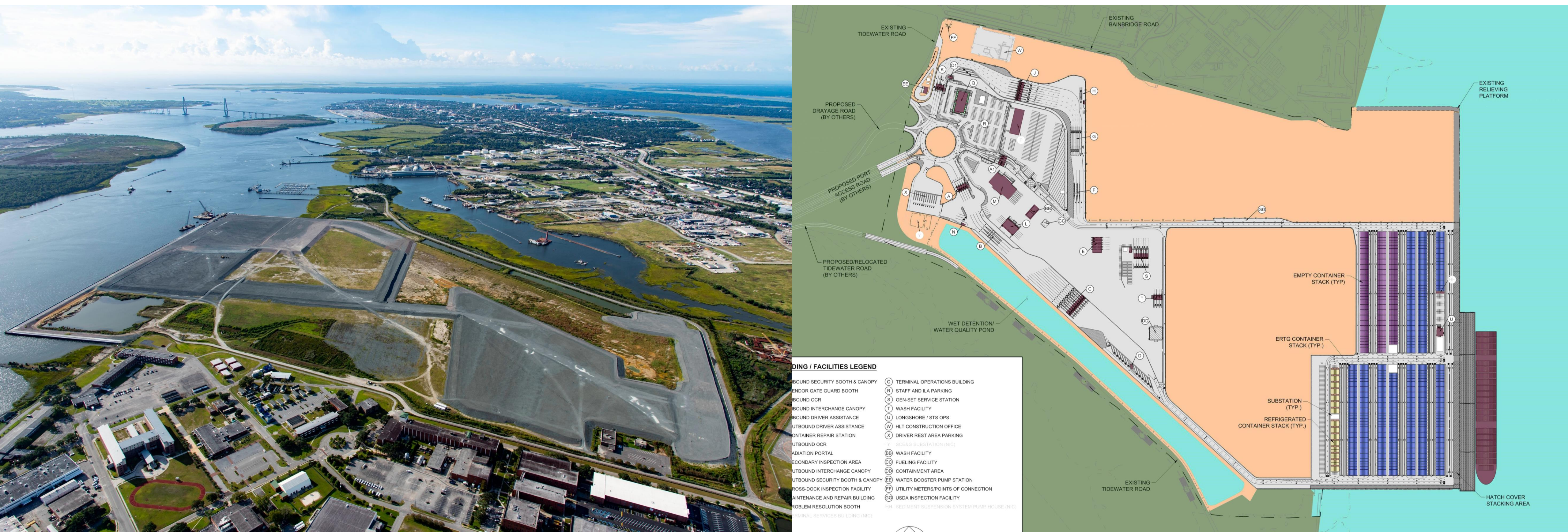


CAPEX IN FY2019 - FY2021
RECORD LEVELS REQUIRED

3 Year Total = \$830.7MM
FY2016 – FY2021 = \$1.34B



LEATHERMAN TERMINAL PHASE ONE



AMBITIOUS ACTIONS REQUIRED TO REALIZE THIS PLAN

- Further Growth of Volume and Rates
- Another Successful Bond Issuance in FY 2020
- Use of Federal Programs: BUILD and TIFIA
- Finalizing the Sale of Non-Operated Real Estate



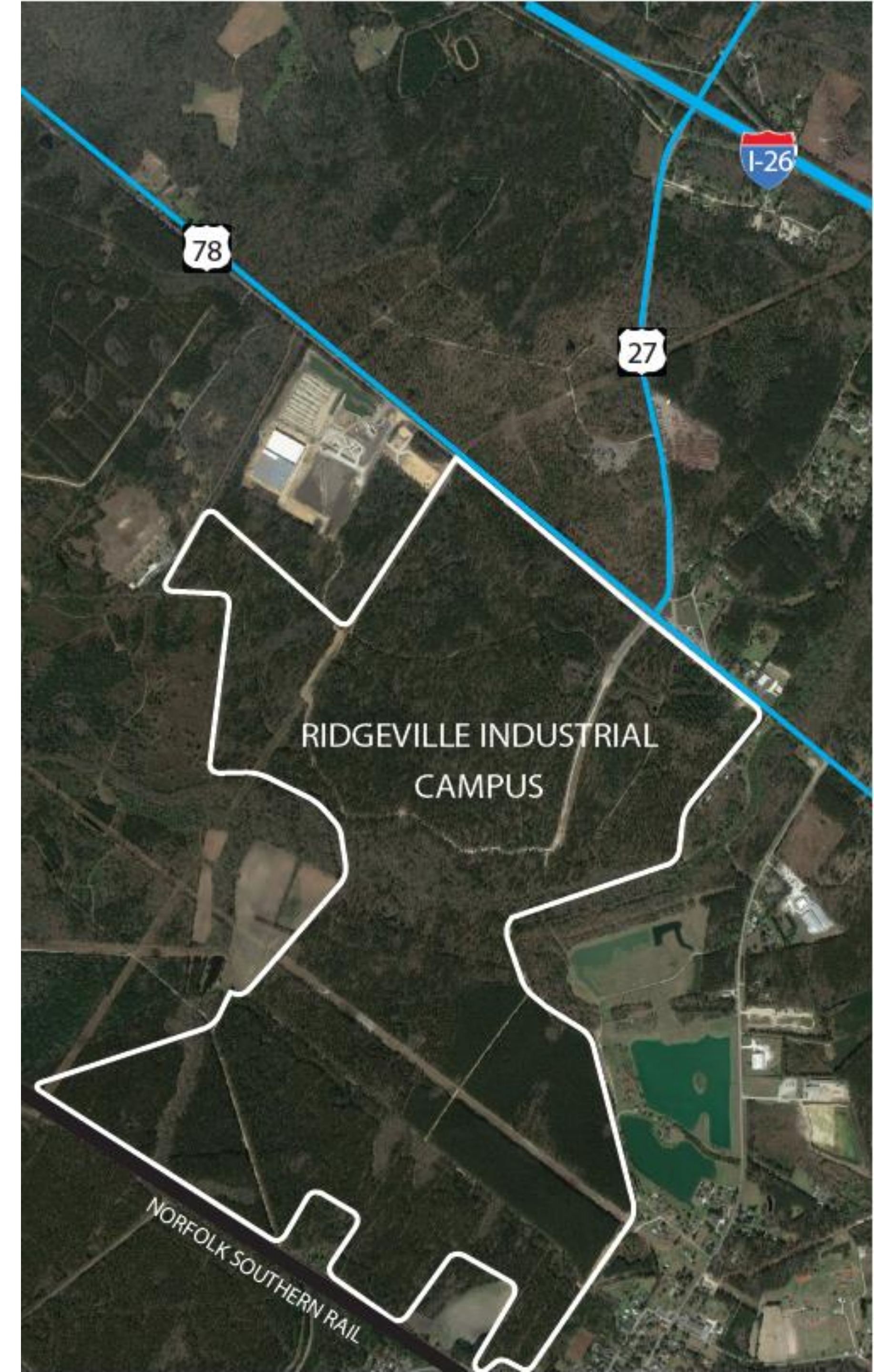
GROWING OUR CARGO BASE IS KEY

- Supporting the Supply Chain Needs of Big Manufacturing
- Becoming a Real Player in Retail Distribution (70% of GDP is Consumption)
- Both Bricks and Mortar and E-Commerce
- Expanding Our Reach Intelligently Throughout the Southeast
- Leveraging the Combined Economies of the Carolinas (6th largest U.S. GDP)
- Intelligent Growth in Trans Loading Operations to Return Import Containers

AMPLE PORT DEPENDENT LAND

ESSENTIAL FOR GROWTH

- Purchase of 1,000 Acres in Ridgeville
- Ports Need Ample Land to Grow Supporting Operations
- A Rail-Served Property
- Target is Combined Import/Export Container Distribution

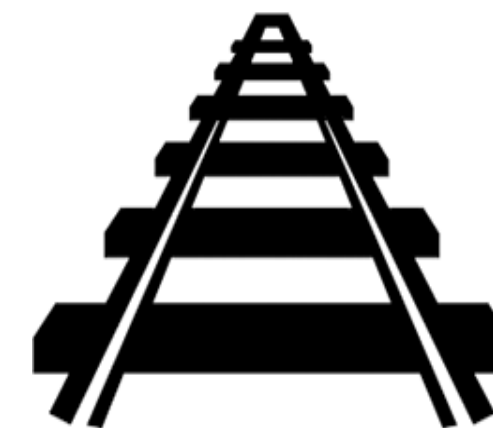
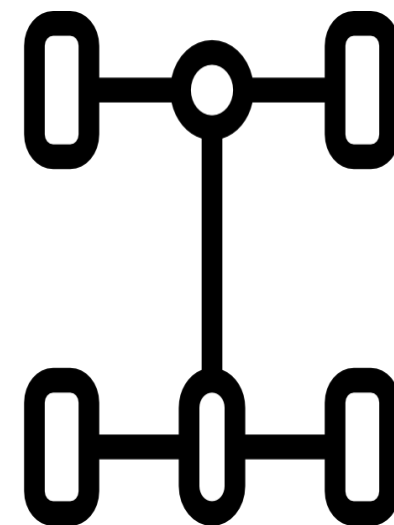


ENHANCING INTERMODAL EFFICIENCY IS KEY



INTERMODAL KEY POINTS

- Further Leveraging Class 1 Rail: 22% Today
- Intelligently Expanding Our Reach by Rail
- Realizing a New ICTF in North Charleston
- Treating Truckers as Customers and With Respect
- A New Approach to Chassis (SSCP)
- Assisting in a Driver Recruitment Project



SSCP



LONGER TERM FY2022 - FY2035

LEATHERMAN TERMINAL

FULL BUILD
OUT BY 2032

FY 2021

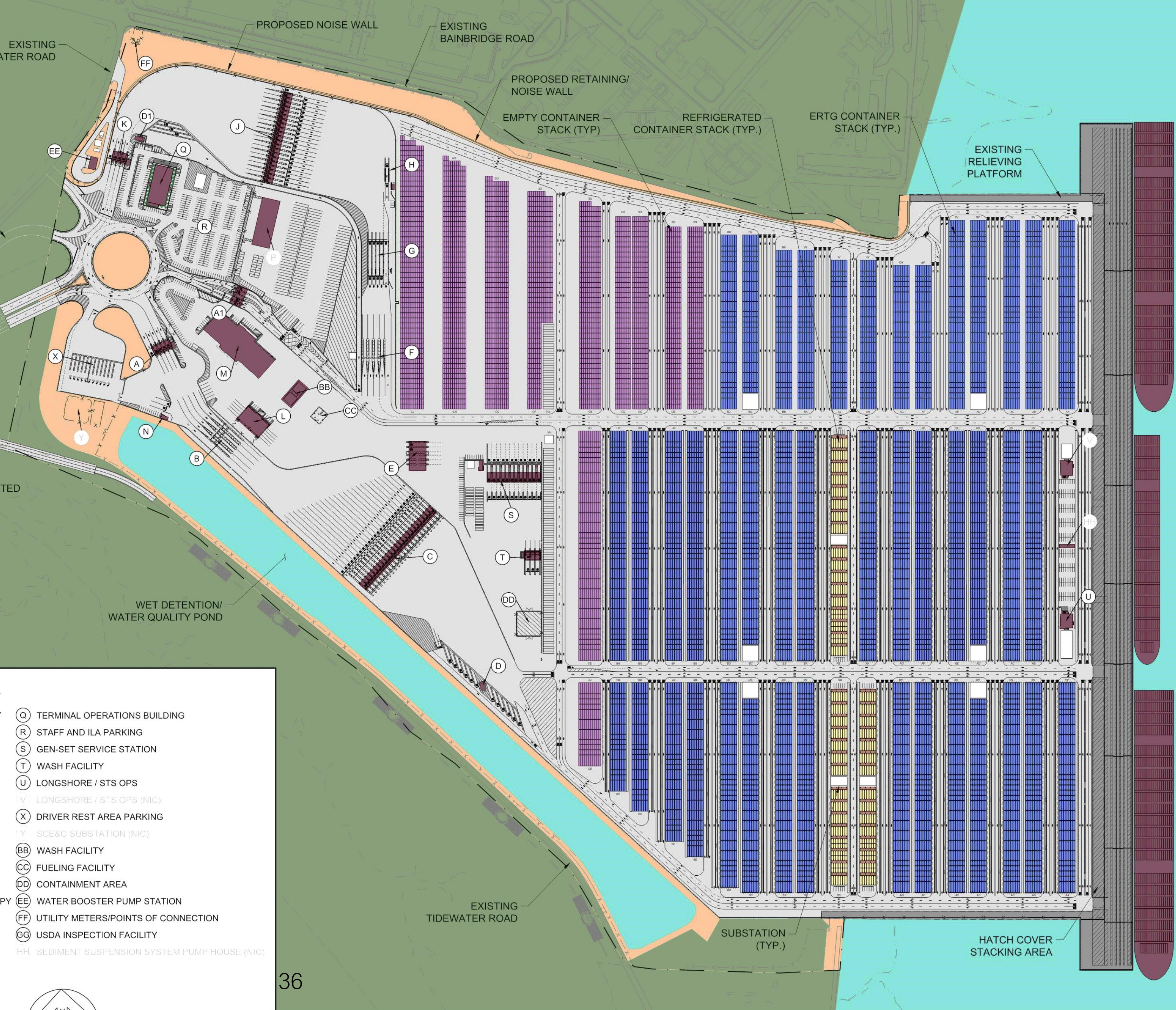
Phase 1

FY 2026

Phase 2

FY 2032

Phase 3



OPERATING CASH FLOW AND INVESTMENTS

FY2019 – FY2035

Available Capacity in Charleston Terminals by 2032

Wando Terminal:	2.4 million TEU
Leatherman Terminal:	2.4 million TEU
North Charleston Terminal:	0.4 million TEU

Total Available Capacity
5.2 million TEU

Sources of Cash (millions):

Operating Cash Flow	\$2.580
Interest Income/Other Cash	300
New Debt	840
Total Cash Inflow	\$3.720

Uses of Cash (millions):

Cap Ex → Leatherman Terminal	\$1.065
Cap Ex → Existing and Other	\$1.130
Debt Service	\$1.525
Total Cash Outflow	\$3.720

CONTINUE PLANNING

JASPER OCEAN TERMINAL

- A needed capacity expansion once GPA and SCPA build out existing and contemplated facilities.
- Best estimate of need is 2035 - 2037.
- The largest contiguous terminal ever built in the U.S.
- Significant road and rail infrastructure in SC is a precursor to success.
- GPA and SCPA can work together to make this happen.

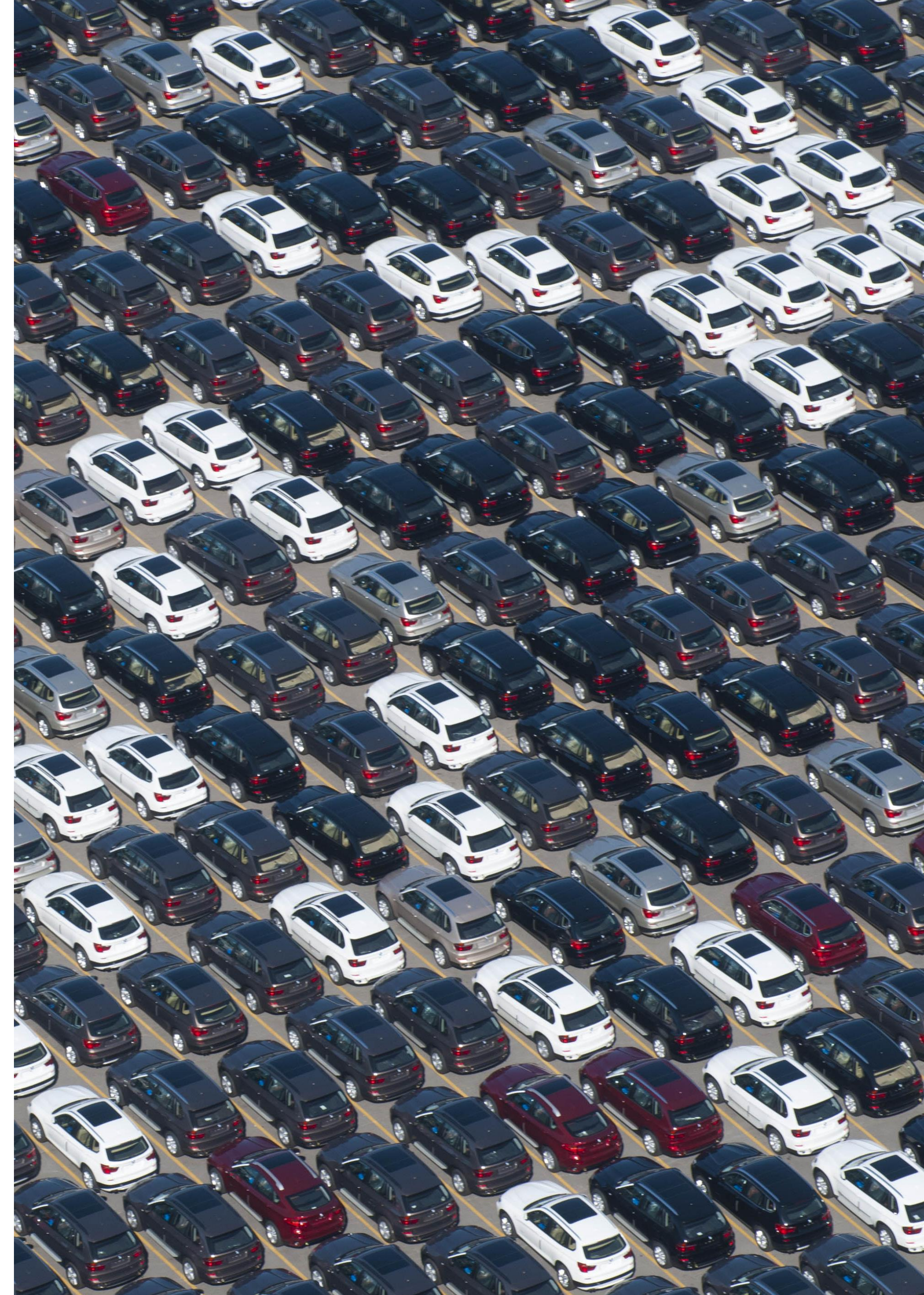
WHAT NOW?

A FOCUS ON PEOPLE

- Investment Alone Does Not Lead to a Winning Outcome
- The Best People Create the Best Outcome
- About 10,000 People Directly Work in Our Industry in SC
- As Big as Boeing, Not All Under One Brand Name
- Aided by Technology, People Create Initiatives to Move Business Forward and Solve Problems
- Port-Related Businesses Pay 40% More than the Average Job in SC
- Are We Committed to Finding/Motivating and Retaining the Top Talent?

WHERE DO OUR CUSTOMERS WANT TO DO BUSINESS?

- Where it is **easy** for them to do business.
- Where **risk is minimized**.
- Where they can deal with people they like and **trust**.
- Where people get to “**Yes**”, not just say “No”.
- Where **decisions are made** instead of procrastination.
- Where there is an abundance of **cooperation and collaboration**.





HOW DO WE RESPOND?

- We have ample tools, and must make sure we have a **winning mindset**.
- We **celebrate our successes** but never rest on our laurels.
- We need to be restless in **driving improvement**.
- We **work together** to solve problems.
- We **change** where it is needed.
- We **help** those that need help.
- We **simplify** the way we do things.
- We **build** the reputation of the Charleston Port brand, not just our own organizations.

IN SUMMARY

- My 10th State of the Port
- Almost Doubled our Volume and Re-Established our Brand Since 2009
- Investing Heavily for Growth and Handling Big Ships Efficiently
- FY2019 - FY2021 Will Define Our Future
- Managing a Bigger Business Than We Have Ever Managed Before
- Cooperation and Collaboration are the Keys to Our Success
- Our Future Is Very Bright and Our Best Years are Ahead



**SOUTH
CAROLINA
PORTS**

THE WORLD CONNECTS HERE

THANK YOU
#CHARLESTONPORTPROUD